THE ROCKY MOUNTAIN ECONOMY: UPDATE
November 2002

Montana's total employment was up in October, while both North and South Dakota posted declines. Job totals in the remaining states were little changed. Comparisons with one year ago are less encouraging but Montana remains a bright spot in the region. Gains in the construction sector and continued expansion of services pushed Montana's annual growth rate up to 1.9 percent. Wyoming's job total was unchanged from one year ago but all other states saw declines. Colorado and Utah hope the past few months show they have "turned the corner." Total employment in both states is still down from one year ago but the rates of decline have lessened. Colorado's job loss rate was 2.0 percent or more for most of 2002 but eased to 1.6 percent in October. Utah's 1.5 percent loss rate in October is down modestly from rates of 1.7 and 1.8 percent typical of late-summer. Unemployment rates are still climbing in most states but all remain below the national average. South Dakota's 2.7 percent rate was the lowest in the U.S. and was down a full percentage point from last year at this time. Montana's dip below 4 percent was short-lived; the October rate was back up to 4.3 percent.

The employment level for the U.S. was virtually unchanged again in October. Losses in construction and manufacturing were offset by gains in finance, services and government. The nation's unemployment rate was up only slightly to 5.7 percent. The estimate of the nation's Gross Domestic Product (GDP) in the third quarter was revised up to 4.0 percent from an advance estimate of 3.1 percent. The National Bureau of Economic Research is not ready to declare an end to the recession that began in early-2001 but this third quarter increase in economic activity may help them decide. The nation's "jobless recovery" continues but some recent indicators are more positive. Consumer confidence was up in November, ending a five-month slide and the Conference Board's leading indicators index flattened out in October after dropping for the four previous months.

U.S. housing starts fell back in October from an unusual surge to over 1.8 million in September. Headlines bemoaned the 11.4 percent decline but October's rate of 1.6 million will certainly not immobilize the construction sector and is still almost 5 percent ahead of one year ago. Other housing indicators reveal an almost frantic rate of activity. New home sales slipped in October but this month posted the third highest level of activity recorded. Similarly, existing home sales shot up in October to their third best monthly rate on record.

The region's building activity remains behind its pace of last year, and virtually all of this decline is due to a major cutback in multifamily construction in the Denver area. Permits in the Denver metro area were down almost 50 percent through September. In contrast, Salt Lake City saw a small cutback while apartment a activity was actually up in Colorado Springs, despite a renter vacancy rate of almost 9 percent. Existing home sales in the Denver metro area are close to the pace of last year, even as the inventory has skyrocketed to almost 24,000 listings. Low interest rates have kept buyers in the market but sellers are now forced to bargain and can no longer wait for a full price offer.

The U.S. Consumer Price Index (CPI) was up by 0.2 percent in October, equal to its increase in September. Energy cost increases continue to put pressure on the overall price level. The annual rate of inflation is now at 2.0 percent, up sharply from last month and the first time this year it has reached this level. The average 30-year fixed mortgage interest rate again dipped below 6 percent briefly and increased slightly by late-November. Earlier in the month, the Federal Reserve lopped 50 basis points off the Federal Funds rate. Most analysts expected some cut but the half point reduction, instead of a quarter-point, surprised most. The Fed returned its statement to a "balanced" outlook, a possible sign that no further cuts are expected, particularly if the CPI continues to move upwards.